

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
THE INDIANA CHAPTER OF THE
ALS ASSOCIATION, INC.
JANUARY 31, 2017 AND 2016

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Trustees
The Indiana Chapter of the ALS Association, Inc.

Report on Financial Statements

We have audited the accompanying statements of financial position of The Indiana Chapter of the ALS Association, Inc. (a nonprofit corporation) as of January 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
The Indiana Chapter of the ALS Association, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Indiana Chapter of the ALS Association, Inc. as of January 31, 2017 and 2016, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

K.B. Parrish & Co. LLP

K. B. Parrish & Co. LLP
Certified Public Accountants

Indianapolis, Indiana
July 7, 2017

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION
January 31,

ASSETS

	2017	2016
Assets		
Cash and cash equivalents	\$ 449,336	\$ 406,956
Contributions receivable	12,929	7,822
Interest receivable	4,136	4,136
Account receivable - National ALS Association	6,573	-
Promotional items	1,995	1,674
Prepaid expenses	538	3,448
Investments	567,668	539,114
Loan Closet, net	11,177	17,247
Property and equipment, net	21,229	17,844
Deposits	2,665	2,455
Total assets	<u>\$ 1,078,246</u>	<u>\$ 1,000,696</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable - trade	\$ -	\$ 910
Accounts payable - National ALS Association	-	14,311
Accrued expenses	2,325	-
Deferred revenue	8,800	-
Capital lease	4,236	7,128
Deferred rent	10,314	-
Total liabilities	25,675	22,349
Net assets		
Unrestricted	1,052,571	942,388
Temporarily restricted	-	35,959
Total net assets	<u>1,052,571</u>	<u>978,347</u>
Total liabilities and net assets	<u>\$ 1,078,246</u>	<u>\$ 1,000,696</u>

The accompanying notes are an integral part of these financial statements.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended January 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support			
Contributions	\$ 208,019	\$ -	\$ 208,019
Noncash contributions	16,655	-	16,655
Fundraising events	545,428	-	545,428
Interest and dividend income, net of fees	23,683	-	23,683
Unrealized gain on investments	9,673	-	9,673
Realized loss on sale of investments	(8,436)	-	(8,436)
Net assets released from restrictions	<u>35,959</u>	<u>(35,959)</u>	<u>-</u>
Total revenue, gains, and other support	830,981	(35,959)	795,022
Expenses			
Program expenses	521,937	-	521,937
Management expenses	58,381	-	58,381
Fundraising expenses	<u>140,480</u>	<u>-</u>	<u>140,480</u>
Total expenses	<u>720,798</u>	<u>-</u>	<u>720,798</u>
Changes in net assets	110,183	(35,959)	74,224
Beginning net assets	<u>942,388</u>	<u>35,959</u>	<u>978,347</u>
Ending net assets	<u>\$ 1,052,571</u>	<u>\$ -</u>	<u>\$ 1,052,571</u>

The accompanying notes are an integral part of these financial statements.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

STATEMENT OF ACTIVITIES
For the Year Ended January 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support			
Contributions	\$ 159,170	\$ -	\$ 159,170
Noncash contributions	11,635	-	11,635
Grants	3,000	25,000	28,000
Fundraising events	580,873	-	580,873
Interest and dividend income, net of fees	20,853	-	20,853
Unrealized loss on investments	(14,751)	-	(14,751)
Realized loss on sale of investments	(11,730)	-	(11,730)
Loss on disposal of fixed assets	(2,005)	-	(2,005)
Other income	578	-	578
Net assets released from restrictions	<u>13,922</u>	<u>(13,922)</u>	<u>-</u>
Total revenue, gains, and other support	761,545	11,078	772,623
Expenses			
Program expenses	533,438	-	533,438
Management expenses	54,635	-	54,635
Fundraising expenses	<u>168,816</u>	<u>-</u>	<u>168,816</u>
Total expenses	<u>756,889</u>	<u>-</u>	<u>756,889</u>
Changes in net assets	4,656	11,078	15,734
Beginning net assets	<u>937,732</u>	<u>24,881</u>	<u>962,613</u>
Ending net assets	<u>\$ 942,388</u>	<u>\$ 35,959</u>	<u>\$ 978,347</u>

The accompanying notes are an integral part of these financial statements.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended January 31, 2017

	Program						
	Patient Services	Education	Revenue Share	Total	Management	Fundraising	Total
Salaries and wages	\$ 157,748	\$ 17,527	\$ -	\$ 175,275	\$ 23,370	\$ 35,055	\$ 233,700
Employee benefits	5,943	660	-	6,603	634	756	7,993
Payroll taxes	12,877	1,430	-	14,307	1,837	2,833	18,977
Professional development	4,235	418	-	4,653	518	2,731	7,902
Grants	36,723	-	60,450	97,173	-	-	97,173
Fundraising programs	2,654	22,350	-	25,004	-	29,643	54,647
Accounting	-	-	-	-	9,500	-	9,500
Legal	14	-	-	14	-	-	14
Other professional	100	-	-	100	-	-	100
Advertising	-	-	-	-	-	968	968
Promotional items	-	405	-	405	-	4,854	5,259
Administrative	57	5	-	62	673	-	735
Supplies	12,791	138	-	12,929	1,436	1,700	16,065
Postage	1,190	420	-	1,610	656	3,368	5,634
Printing	2,247	1,371	-	3,618	473	5,110	9,201
Telephone	7,611	845	-	8,456	1,077	1,321	10,854
Equipment maintenance	-	7,033	-	7,033	-	5,558	12,591
Information technology	4,739	527	-	5,266	9,262	14,513	29,041
Office rent	26,505	2,945	-	29,450	2,871	3,827	36,148
Travel	6,266	1,895	-	8,161	496	3,980	12,637
Food and beverage	3,370	14,123	-	17,493	-	12,440	29,933
Facilities	1,556	-	-	1,556	231	346	2,133
Liability insurance	1,242	138	-	1,380	184	276	1,840
Revenue sharing	-	-	66,614	66,614	-	-	66,614
Loan closet expense	28,322	-	-	28,322	-	-	28,322
Depreciation	4,235	40	-	4,275	577	4,813	9,665
Bank and credit card charges	-	-	-	-	456	6,166	6,622
Payroll service	1,044	116	-	1,160	165	222	1,547
Miscellaneous	609	409	-	1,018	3,965	-	4,983
Total functional expenses	<u>\$ 322,078</u>	<u>\$ 72,795</u>	<u>\$ 127,064</u>	<u>\$ 521,937</u>	<u>\$ 58,381</u>	<u>\$ 140,480</u>	<u>\$ 720,798</u>

The accompanying notes are an integral part of these financial statements.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended January 31, 2016

	Program						
	Patient Services	Education	Revenue Share	Total	Management	Fundraising	Total
Salaries and wages	\$ 173,478	\$ 19,274	\$ -	\$ 192,752	\$ 25,700	\$ 40,351	\$ 258,803
Employee benefits	8,434	937	-	9,371	1,103	1,865	12,339
Payroll taxes	14,545	1,616	-	16,161	2,191	3,196	21,548
Professional development	668	919	-	1,587	335	3,447	5,369
Grants	29,605	-	162	29,767	-	-	29,767
Fundraising programs	14,035	29,897	-	43,932	-	35,523	79,455
Accounting	-	-	-	-	9,350	-	9,350
Legal	1,313	19	-	1,332	-	-	1,332
Other professional	2,325	-	-	2,325	-	-	2,325
Advertising	-	842	-	842	75	1,328	2,245
Promotional items	-	657	-	657	-	4,748	5,405
Administrative	3,341	306	-	3,647	670	248	4,565
Supplies	9,295	6	-	9,301	1,311	247	10,859
Postage	1,599	307	-	1,906	316	4,667	6,889
Printing	1,435	3,959	-	5,394	434	8,126	13,954
Telephone	5,513	613	-	6,126	1,396	1,452	8,974
Equipment maintenance	647	6,827	-	7,474	1,317	4,180	12,971
Information technology	5,388	829	-	6,217	4,213	16,972	27,402
Office rent	21,718	2,413	-	24,131	3,582	5,374	33,087
Travel	6,981	3,220	-	10,201	520	4,492	15,213
Food and beverage	7,037	15,949	-	22,986	-	20,984	43,970
Liability insurance	1,151	127	-	1,278	171	256	1,705
Revenue sharing	-	-	106,177	106,177	-	-	106,177
Loan Closet expense	19,254	-	-	19,254	-	-	19,254
Depreciation	2,483	-	-	2,483	339	2,822	5,644
Bank and credit card charges	-	-	-	-	520	6,323	6,843
Payroll service	1,013	112	-	1,125	153	222	1,500
Miscellaneous	3,180	3,832	-	7,012	939	1,993	9,944
Total functional expenses	<u>\$ 334,438</u>	<u>\$ 92,661</u>	<u>\$ 106,339</u>	<u>\$ 533,438</u>	<u>\$ 54,635</u>	<u>\$ 168,816</u>	<u>\$ 756,889</u>

The accompanying notes are an integral part of these financial statements.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended January 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Changes in net assets	\$ 74,224	\$ 15,734
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Noncash contributions	(16,655)	(11,635)
Depreciation of Loan Closet items	5,604	12,026
Loan Closet items provided to those in need	17,121	7,228
Depreciation of fixed assets	9,665	5,644
Deferred rent amortization, net	10,314	(2,737)
Net unrealized (gain) loss on investments	(9,673)	14,751
Net realized loss on sale of investments	8,436	11,730
Net loss on disposal of fixed assets	-	2,005
Changes in operating assets and liabilities		
Contributions receivable	(5,107)	50,819
Interest receivable	-	(779)
Account receivable - National ALS Association	(6,573)	-
Promotional items	(321)	(861)
Prepaid expenses	2,910	(2,822)
Deposits	(210)	9,644
Accounts payable - trade	(910)	197
Accounts payable - National ALS Association	(14,311)	14,311
Accrued expenses	2,325	-
Deferred revenues	8,800	-
Net cash provided by operating activities	<u>85,639</u>	<u>125,255</u>
Cash flows from investing activities		
Purchase of fixed assets	(13,050)	(9,644)
Purchase of investments	(353,579)	(427,694)
Proceeds on the sale of investments	326,262	281,984
Net cash used in investing activities	<u>(40,367)</u>	<u>(155,354)</u>
Cash flows from financing activities		
Repayments on capital lease	(2,892)	(1,671)
Net cash used in financing activities	<u>(2,892)</u>	<u>(1,671)</u>
Net increase (decrease) in cash and cash equivalents	42,380	(31,770)
Beginning cash and cash equivalents	<u>406,956</u>	<u>438,726</u>
Ending cash and cash equivalents	<u>\$ 449,336</u>	<u>\$ 406,956</u>

The accompanying notes are an integral part of these financial statements.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)
For the Years Ended January 31,

Supplemental cash flow disclosures:

Noncash miscellaneous donations

\$	16,655	\$	11,635
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Equipment acquired through capital lease obligation

\$	-	\$	6,855
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THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS
January 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Indiana Chapter of the ALS Association, Inc. (the Association) is dedicated to providing support groups, education, seminars for caregivers, outreach to the medical community, and to developing a recycled medical equipment program for Indiana victims of Amyotrophic Lateral Sclerosis and their families. The Association is a not-for-profit corporation and is funded by donations and fundraising activities.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Association reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Association is required to present a statement of functional expenses and a statement of cash flows.

Unrestricted net assets result from all activities including voluntary contributions in which no donor imposed restrictions existed beyond the stated purposes of the Association.

Restricted net assets result from various activities conducted under donor-imposed restrictions, both temporary and permanent in nature. As of January 31, 2017 and 2016, the Association had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas involving the use of estimates and assumptions include the valuation of Loan Closet items and the functional allocation of expenses.

Fair Value of Financial Instruments

The Financial Instruments Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification requires disclosure of an estimate of fair value for certain financial instruments. The Association's significant financial instruments are cash and cash equivalents, accounts receivable, investments, and other short-term assets and liabilities. For these financial instruments, carrying value approximates fair value.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At January 31, 2017 and 2016, cash equivalents consisted primarily of money market accounts.

Contributions Receivable

Contributions receivable generally consist of fourth quarter distributions from other organizations' charitable giving programs received after year-end and sponsorship commitments for the fiscal year that have not yet been received.

Contributions receivable are stated at unpaid balances. Management believes all receivable balances will be collectible and, therefore no provision for uncollectible amounts has been made. It is management's policy to charge off uncollectible contributions receivable when management determines the amount will not be collected. Bad debt expense, if any, is included as a management expense.

Investments

The Association carries investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Loan Closet

The Association accepts donations of medical equipment and loans the equipment to patients. Donations are recorded at their estimated fair value. Loan Closet items on-hand are estimated to have a five-year life and are depreciated on a straight-line basis to account for deterioration. Depreciation of Loan Closet items was \$5,604 and \$12,026 for the years ended January 31, 2017 and 2016, respectively, and is included as part of Loan Closet expense on the statements of functional expenses. The assets are recorded at net book value as follows:

	<u>2017</u>	<u>2016</u>
Loan Closet	\$ 28,020	\$ 60,130
Less accumulated depreciation	<u>(16,843)</u>	<u>(42,883)</u>
	<u>\$ 11,177</u>	<u>\$ 17,247</u>

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Purchases of property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from five to seven years. Charges for repairs and maintenance are expensed as incurred.

Support and Revenue

Support consists of general contributions, grants and fundraising events such as the Walk to Defeat ALS. Under GAAP for not-for-profit organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

The Association records contributions whose restrictions are met in the same period as unrestricted. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Association reports gifts of land, buildings and equipment, if any, as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Expenses

The Association's expenses have been allocated on a functional basis between program services, management, and fundraising based on an analysis of personnel time utilized for the related activities and other relevant methods. Program services include patient and caregiver support, multi-disciplinary clinic services, and research and awareness.

The Association incurs joint costs for awareness and fundraising related to its events. Such joint costs are allocated between program and fundraising based on the content of the materials provided and activities performed during the events.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advertising

Advertising costs are charged to the period incurred. Advertising costs for the years ended January 31, 2017 and 2016 were \$968 and \$2,245, respectively.

Donated Services

The Association receives contributed services from a significant number of volunteers, including board and committee members, fundraising event volunteers, and others. It is not practicable to determine the fair value of such services, and the value of those services has not been recognized as revenue in the accompanying financial statements.

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. In addition, the Association qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a). Should the Association ever have income from certain activities not directly related to its tax-exempt purpose, that income could be subject to taxation as unrelated business income.

Uncertain Tax Positions

The Association has evaluated tax positions taken in the tax returns filed and has determined that there are no uncertain tax positions as defined by GAAP. Under a three-year statute of limitations, the Association remains subject to examination by the Internal Revenue Service for the years ended January 31, 2014 through January 31, 2016.

Concentrations of Credit Risk

The Association is supported by contributions from the public, with three annual fundraising walks in different regions of Indiana generating most of the support. It is always considered reasonably possible that benefactors, grantors, or contributors might be lost in the near term.

Donations and sponsorships from the Association's annual Walk to Defeat ALS held in Indianapolis, Indiana, accounted for approximately 40 percent of revenues for each of the years ended January 31, 2017 and 2016.

Financial instruments which potentially subject the Association to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of both January 31, 2017 and 2016, cash balances exceeded the federally insured amount.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Management's Review of Subsequent Events

The date to which events occurring after January 31, 2017, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 7, 2017, which is the date on which the financial statements were available to be issued.

NOTE 2 - INVESTMENTS

The Association's investments consist of the following at January 31:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Mutual funds				
Bond funds	\$ 5,878	\$ 5,585	\$ 5,713	\$ 4,916
Equity funds	23,048	22,803	36,321	31,140
Corporate bonds	488,962	485,261	445,264	429,778
Municipal bonds	15,185	15,111	45,472	45,490
Other assets	36,183	38,908	25,488	27,790
	<u>\$ 569,256</u>	<u>\$ 567,668</u>	<u>\$ 558,258</u>	<u>\$ 539,114</u>

Investment return is as follows for the years ended January 31:

	2017	2016
Interest and dividends	\$ 23,286	\$ 24,772
Realized losses	(8,436)	(11,730)
Unrealized gains (losses)	<u>9,673</u>	<u>(14,751)</u>
Total investment return	24,523	(1,709)
Investment fees	<u>(247)</u>	<u>(4,469)</u>
Total investment return, net	24,276	(6,178)
Other interest income	<u>644</u>	<u>550</u>
Total investment income per Statements of activities	<u>\$ 24,920</u>	<u>\$ (5,628)</u>

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 3 - PROPERTY AND EQUIPMENT

The Association's property and equipment are as follows at January 31:

Computer equipment	\$ 15,174	\$ 16,205
Office furniture	<u>25,422</u>	<u>14,614</u>
	40,596	30,819
Less accumulated depreciation	<u>19,367</u>	<u>12,975</u>
	<u>\$ 21,229</u>	<u>\$ 17,844</u>

Depreciation expense for the years ended January 31, 2017 and 2016 was \$9,665 and \$5,644, respectively.

NOTE 4 - FAIR VALUE MEASUREMENT

The Fair Value Measurement Topic of the FASB Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the Topic are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are available as of the measurement date.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and reflect the organization's assumptions about the assumptions market participants would use in pricing the asset or liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 4 - FAIR VALUE MEASUREMENT - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at January 31, 2017 and 2016.

Mutual funds are valued at the net asset value of shares held by the fund traded in an active market based on quoted market prices.

Bonds and other assets are stated at fair value by the trustee using income and market approaches based on recently executed transactions, market price quotations (where observable), bond spreads or credit default swap spreads.

The methods described may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 4 - FAIR VALUE MEASUREMENT - Continued

The following is a summary of assets valued on a recurring basis in accordance with the Fair Value Measurement Topic for the years ended January 31:

2017	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds				
Multi Sector	\$ 5,585	\$ -	\$ -	\$ 5,585
Equity funds				
Small cap	2,283	-	-	2,283
Mid cap	1,378	-	-	1,378
Large cap	7,477	-	-	7,477
Tactical allocation	3,478	-	-	3,478
World allocation	6,261	-	-	6,261
Multialternative	1,926	-	-	1,926
Corporate bonds				
S&P AAA	-	4,993	-	4,993
S&P A+	-	5,021	-	5,021
S&P A	-	20,090	-	20,090
S&P A-	-	10,079	-	10,079
S&P AA-	-	15,254	-	15,254
S&P BBB+	-	131,188	-	131,188
S&P BBB	-	120,528	-	120,528
S&P BBB-	-	127,045	-	127,045
S&P BB+	-	20,600	-	20,600
S&P BB	-	5,063	-	5,063
S&P BB-	-	25,400	-	25,400
Municipal bonds				
S&P AA+	-	10,112	-	10,112
S&P NR	-	4,999	-	4,999
Other assets	-	38,908	-	38,908
	<u>\$ 28,388</u>	<u>\$ 539,280</u>	<u>\$ -</u>	<u>\$ 567,668</u>

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 4 - FAIR VALUE MEASUREMENT - Continued

2016	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds				
Multi sector	\$ 4,916	\$ -	\$ -	\$ 4,916
Equity funds				
Small cap	4,593	-	-	4,593
Large cap	5,770	-	-	5,770
Tactical allocation	4,657	-	-	4,657
World allocation	9,661	-	-	9,661
Emerging markets	3,172	-	-	3,172
Preferred securities	3,287	-	-	3,287
Corporate bonds				
S&P AAA	-	5,013	-	5,013
S&P AA+	-	15,202	-	15,202
S&P A+	-	5,026	-	5,026
S&P A-	-	50,706	-	50,706
S&P AA-	-	9,849	-	9,849
S&P BBB+	-	65,250	-	65,250
S&P BBB	-	35,204	-	35,204
S&P BBB-	-	178,572	-	178,572
S&P BB+	-	50,206	-	50,206
S&P BB	-	10,100	-	10,100
S&P CCC-	-	4,650	-	4,650
Municipal bonds				
S&P A	-	10,359	-	10,359
S&P AA-	-	25,128	-	25,128
S&P NR	-	10,003	-	10,003
Other assets	-	27,790	-	27,790
	<u>\$ 36,056</u>	<u>\$ 503,058</u>	<u>\$ -</u>	<u>\$ 539,114</u>

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

At January 31, 2017 and 2016, temporarily restricted net assets were available for the following purposes or periods:

	2017	2016
Purpose restrictions:		
Nutrition program	\$ -	\$ 35,959
	<u>\$ -</u>	<u>\$ 35,959</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows the years ended January 31:

	2017	2016
Nutrition program	\$ 35,959	\$ 12,217
Communications systems	-	64
Evansville region	-	641
Other	-	1,000
	<u>\$ 35,959</u>	<u>\$ 13,922</u>

NOTE 6 - LEASES

Operating Lease

Effective June 2016, the Association entered into a lease to rent office space for a term of 64 months. The lease provides four months free rent during the 2016-2017 fiscal year as well as regular annual rate increases. Beginning in October 2016, the monthly payment is \$2,665. Deferred rent of \$10,314 at January 31, 2017 represents the accumulated difference between the straight-line basis of minimum rentals and the actual rent paid pursuant to the terms of the lease. There was no deferred rent at January 31, 2016. Lease expense for the years ended January 31, 2017 and 2016 was \$36,148 and \$33,087, respectively. Future minimum payments under this lease are:

2018	\$ 32,444
2019	33,140
2020	33,836
2021	34,532
Thereafter	<u>23,176</u>
	<u>\$ 157,128</u>

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 6 - LEASES - Continued

Capital Lease

Equipment subject to a capital lease obligation was included in property and equipment. The cost of equipment acquired under the capital lease was \$6,855, and the related accumulated depreciation was \$2,714 and \$1,000 as of January 31, 2017 and 2016, respectively.

Future minimum lease payments under this lease are:

2018	\$	1,746
2019		1,746
2020		744
		<hr/>
	\$	4,236
		<hr/>

NOTE 7 - RETIREMENT PLAN

The Association implemented a 403(b) plan during fiscal year 2009. All current employees are eligible to participate. At this time, the plan is an employee only contribution plan with no employer matching. Therefore, there is no pension expense attributed to this plan for the years ended January 31, 2017 or 2016.

NOTE 8 - TRANSACTIONS WITH AFFILIATE

The Association became an official charter chapter of the National ALS Association effective February 1, 2001. As a member of the National ALS Association, the Indiana chapter is required to remit 17 percent of its year-to-date income on a quarterly basis to the National Association. For the fiscal years ended January 31, 2017 and 2016, the total distribution to the National ALS Association equaled \$66,614 and \$106,339, respectively, which is included in program expenses. In addition, during the fiscal year ended January 31, 2017, the Association distributed \$60,450 to the National Association for research purposes.

Accounts payable to the National ALS Association at January 31, 2016 was \$14,311, respectively, and consisted of revenue sharing, walk immersion shared proceeds, and research distributions. There was nothing due to the National ALS Association at January 31, 2017. Due to overpayment in the third quarter, a receivable of \$6,753 was due from the National ALS Association at January 31, 2017.

THE INDIANA CHAPTER OF THE ALS ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
January 31, 2017 and 2016

NOTE 9 - COMMITMENTS

The Association has entered into agreements for future events through October 2017. These contracts include cancellation penalties that require the Association to pay liquidated damages, should the contracted events be cancelled. Damages are dependent upon the number of days in advance the cancellation is made. The total potential liability under these contracts as of January 31, 2017 is approximately \$7,300.

